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**IOWA UTILITIES BOARD**  
Customer Service **Section**

Docket No.: FCU-2014-0015 (C-2014-0123,  
C-2014-0126, C-2014-0127,  
C-2014-0128, C-2014-0129,  
C-2014-0130, C-2014-0131,  
C-2014-0132, C-2014-0141,  
C-2014-0142, C-2014-0145)

Utility: MidAmerican Energy Company

File Date/Due Date: September 22, 2014

Memo Date: November 6, 2014

**TO:** The Board

**FROM:** Tara Ganpat-Puffett and Rosemary Tate

**SUBJECT:** Request for Formal Complaint Proceeding

**I. Background**

From September 18, 2014, through October 20, 2014, eleven small business customers from around the state of Iowa filed written complaints with the Iowa Utilities Board (Board) against MidAmerican Energy Company (MidAmerican) regarding the increase in the electric rate for a new demand charge. Customers indicated MidAmerican advised them the change was due to a ruling made by the Board.

Staff forwarded the following complaints to MidAmerican for investigation and a response:

**C-2014-0123**, Judy Lilly on behalf of Montana Mike's Steakhouse, Des Moines, Iowa

On September 22, 2014, Ms. Lilly stated that she received the monthly billing statement from MidAmerican and noticed a substantial increase in her electric charges. Specifically, she noticed several more line item charges than on her previous monthly bills. One of the new charges was a demand charge in the amount of \$721.14. Ms. Lilly noted the demand charge began appearing on her August 2014 bill and was prorated for four days at the cost of 97 multiplied by 0.88375 for an amount of \$85.72. Ms. Lilly also noted that she has never had a demand charge on any previous electric bills. Ms. Lilly stated she understood after speaking with MidAmerican, that before the rate increase, the customers that had demand meters were only charged the demand charge if they went above the cap of 200 kilowatts (kW) peak in a month. Ms. Lilly stated that her usage was never over the 200 kW cap, so she never saw a demand charge on

her bill. Ms. Lilly also stated that she was told that along with the rate increase, the 200 kW cap was eliminated and every customer with a demand meter would be charged the demand charge at the highest monthly peak kilowatt. She was also told the other billing rate options MidAmerican has available for her business would be higher than the rate code she currently is on that now includes paying the demand charge every month.

Ms. Lilly raised the following concerns:

- September 2014, the total bill (including gas) was \$1,724.63 or 41.92 percent higher than September 2013 bill.
- September 2014, the electric charges were \$958.63 or 31.88 percent higher than September 2013 bill.
- September 2014, electric charges were \$844.89 or 32.30 percent higher than August 2014 bill.
- Lack of prior notification by MidAmerican for customers that had a demand meter and would now have a demand charge on all bills.
- MidAmerican failed to notify customers with demand meters of this change.
- Rationale why MidAmerican excluded this restaurant from mitigation.
- Mitigation plan using the initial comparison between the temporary/interim rates and the approved 2014 rates is flawed.
- A small business cannot absorb the 30 percent plus increase.

**C-2014-0126 and C-2014-0127**, Steve Hammen on behalf of Buena Vista County Courthouse and the Law Enforcement Center, Storm Lake, Iowa

On September 23, 2014, Mr. Hammen disputed an electric rate increase, claiming insufficient customer notice about the impacts of the rate changes, and a new demand charge that appeared on the monthly electric bill. Mr. Hammen stated in the past month Buena Vista County Courthouse and Law Enforcement Center experienced a dramatic change in its electric cost due to the rate increase, the adjustment clauses, and riders. Mr. Hammen stated that the electric costs when compared with September 2013 are at least 45 percent higher for the Law Enforcement Center and 26 percent for the Buena Vista Courthouse. Mr. Hammen stated that both locations actually used less kilowatts of electric usage in September 2014 than September 2013 and still had a large rate increase in their bill. Mr. Hammen stated the only information they received on this rate increase was a pamphlet handed to them last fall suggesting that there might be a 3.6 percent rate increase. Mr. Hammen stated this rate increase is burdensome on the Buena Vista County Courthouse and the Law Enforcement Center budget as it had budgeted for a 3.6 percent increase not a 26 percent or 45 percent increase. Mr. Hammen stated the Board should have determined what impact it would have on each individual rate class when it approved the rate case. Mr. Hammen stated he feels the notification of this process by MidAmerican was insufficient at best.

**C-2014-0128**, Doug Spitzagle on behalf of Avoca Super Foods, Avoca, Iowa

On September 18, 2014, Mr. Spitznagle stated the September 2014 MidAmerican billing statement for his business showed an increase in his cost per day for electric usage from August 2013 to August 2014 of \$60.00 per day. His monthly bill was \$2,000.00 higher than the previous years' billing due to the change in rates with MidAmerican. He is very concerned about the future of his business as he knows he won't be able to absorb this kind of increase for an extended period of time.

**C-2014-0129**, Bob LeMonds on behalf of R&L Foods, Doon, Iowa

On September 24, 2014, Bob LeMonds stated the MidAmerican monthly gas and electric billing statement for September 2014 had increased \$400.00 for the electric charges over the September 2013 billing. Mr. LeMonds is concerned about the future of his business.

**C-2014-0130**, Gene Loffredo and Mark Zimmerman on behalf of Loffredo Fresh Produce, Des Moines, Iowa

On September 26, 2014, Mr. Zimmerman forwarded an initial email complaint to the Board, and then Board Chair, Libby Jacobs received a call from Gene Loffredo. In Mr. Zimmerman's email, he indicated that there had been a rate increase in the electric rate and that the cost per day for the electric usage had gone up 52.42 percent, from \$545.07 per day in August 2013 to \$830.79 per day in August 2014. Mr. Zimmerman further stated that there is no way to absorb this type of increase in rates.

**C-2014-0131**, Tom Mulholland on behalf of Mulholland Grocery, Malvern, Iowa

On September 29, 2014, Mr. Mullholland stated, that not only was the September 2014 electric bill 29 percent higher than the previous year at the same time, but he also was being charged a demand charge in the amount of nearly \$400.00. Mr. Mullholland further stated that his business will be devastated by the increased costs.

**C-2014-0132**, Scott Havens on behalf of Scott's Foods, Norwalk, Iowa

On October 2, 2014, Mr. Havens stated that he was shocked when he received the MidAmerican September 20, 2014, electric billing statement. Mr. Havens stated that in September 2014 he used 5 percent more in electricity when comparing the September 2013 usage, but the electric charges increased by 40 percent on the September 2014 billing. Mr. Havens stated for the last two years his grocery store averaged \$5,200.00 per month for electric service, but the September 2014 electric bill was \$8,735.00. Mr. Havens requested to have the Board review his charges since an extra \$3,000.00 per month is a hardship for his business.

**C-2014-0141**, Storage & Design, Ron Patterson on behalf of Storage & Design, Des Moines, Iowa

On October 14, 2014, Mr. Patterson stated his most current monthly bill had a substantial electric service rate increase, due to a demand charge, and wanted the Board's review of the recent change in the MidAmerican electric rates and charges. Mr. Patterson stated a demand charge appeared on his electric bill. Mr. Patterson stated after spending a large amount of money to save energy, his bill increased by 42 percent.

**C-2014-0142**, Brendan Comito on behalf of Capital City Fruit, Norwalk, Iowa

On October 13, 2014, Mr. Comito stated that the MidAmerican September 2013 electric monthly billing statement was \$8,615.00 and the September 2014 bill was \$16,272.00. Mr. Comito stated that there was an increase in usage of 45 percent, but the increase in costs were 88 percent higher than the previous year. Mr. Comito also stated that they expected an increase in the electric rate of only 3-5 percent per the information received from MidAmerican.

**C-2014-0145**, Arti, LLC, Philip E. Stoffregen on behalf of Todd Carpenter of Arti, LLC, Council Bluffs, Iowa

On October 20, 2014, Mr. Stoffregen, on behalf of Todd Carpenter of Arti, LLC, (Arti) disputed the monthly MidAmerican electric billing, and requested a Board review of the application of the Equalization and Phase-In factors which resulted in a significant rate increase by MidAmerican. The Arti data center came online in April 2013. It is an affiliate of its sister data center Pinnacle, LLC (Pinnacle) and is located in the same former MidAmerican South Rate Zone as Pinnacle. Both Arti and Pinnacle were (and presently remain) virtually identical in terms of design and load characteristics, and both data centers receive electric service from MidAmerican. MidAmerican billed the Arti data center under Rate LPS for usage in both of the months of April 2013 and May 2013. MidAmerican then began billing Arti under Rate LXS in June 2013, which continued until July 31, 2014.

The new Individual Customer Rate ("Rate ICR") was approved by the Board and, became effective July 31, 2014. The load at the Arti data center surpassed the qualifying threshold for Rate ICR in February 2014. Arti stated MidAmerican ceased billing Arti under Rate LXS and began providing electric service to the Arti data center pursuant to Rate ICR on July 31, 2014. MidAmerican applies two adjustment factors to both Arti and Pinnacle billings under Rate ICR. These factors are: (1) the Phase-In Factor; and (2) the Equalization Factor. The Phase-In Factors are described in Clause PI – Phase-In Adjustment of MidAmerican's Iowa electric tariff (Electric Tariff No. 2, Original Sheet Nos. 456- 459, effective July 31, 2014). According to Clause PI, the Phase-In Factors are applied to the rate for electric service for the purpose of phasing in MidAmerican's approved increase in revenue. Phase-In Adjustment Factors are billed on a dollar-per-kWh

basis and are a function of a customer's former price schedule. The Equalization Factors are described in Clause E –Equalization Adjustment of MidAmerican's Iowa electric tariff (Electric Tariff No. 2, Original Sheet Nos. 446-455, effective July 31, 2014). According to Clause E, Equalization Factors are applied to the rate for electric service for the purpose of moving all rates to cost-of service over a ten-year period. Equalization Adjustment Factors are billed on a dollar-per-kWh basis and also are a function of a customer's former price schedule.

Arti stated that MidAmerican is charging the same Rate ICR to both; however, the Phase-In Factor and Equalization Factor applied to Arti and Pinnacle are quite different. MidAmerican is charging Arti Rate ICR, but is applying the Rate LS Clause PI Phase-In Factor and Clause E Equalization Factor, which are calculated based on the total load characteristics of the LS rate class. By contrast, MidAmerican is charging Pinnacle Rate ICR and a custom ICR Phase-In Factor and Equalization Factor specific to Pinnacle.

Arti objects to the application of the Rate LS Phase-In Factor and Equalization Factor to its usage. The LS Adjustment Factors are based on former price schedules ALS, APS, LCL, LLC, LLS, LOS, LPS, and LRS according to both Clause PI and Clause E. Beginning in June 2013 and ending on the date Arti began to take service under Rate ICR (July 31, 2014), Arti was served under Rate LXS. Arti stated the application of the current LS Clause PI Phase-In Factor and Clause E Equalization Factor to Arti is inappropriate. In addition, since Rate LXS is not listed in either Clause PI or Clause E as a former price schedule, it appears that applying the LS Phase-In Factor and Equalization Factor to a customer formerly taking service under Rate LXS is inconsistent with MidAmerican's tariffs.

Arti stated that MidAmerican's application of the Rate LS Adjustment Factors to Arti's Rate ICR charges is unreasonable because it subjects Arti to significant rate shock in the form of a rate increase (from the rates it paid under Rate LXS for the 14 months prior to its transition to Rate ICR), which the rate increase is well in excess of the mitigation threshold set by the Board.

#### MidAmerican Response:

MidAmerican has filed responses to eight of the complaints and in its responses, MidAmerican states that prior to the approval of its electric rate increase, non-residential customers the approximate size of these businesses, and located in the north and south pricing zones of MidAmerican's territory, purchased service under a rate that had a demand charge listed in the tariff. However, that charge only applied if the Peak kW usage were greater than 200 and the kilowatt-hours of use per kW of demand (calculated by dividing the Total kWh by the Peak kW) was less than 250 in that month. Most of the small businesses did not see a demand charge on their monthly bill under the previous rate.

In addition, when MidAmerican recently consolidated and simplified its rate structure, it did so with the goal to be consistent and equitable across the MidAmerican's service territory. The new demand rate for this customer size was modeled after the former demand rate for the east pricing zone, Rate 42, where the demand charge was billed every month with the minimum set at 10 kW.

In the March 17, 2014, Board Order Approving Settlement, with Modifications, and Requiring Additional Information for Docket RPU-2013-0004, MidAmerican was ordered to develop a mitigation plan with the initial comparison between the temporary (interim) rates (effective August 15, 2013) and the approved 2014 rates. For non-residential customers, the annual electric increase was capped at 15 percent and \$1,500.00 or more. In the mitigation plan MidAmerican filed with the Board, on March 27, 2014, MidAmerican committed to evaluate the bill impacts resulting from the rate proposal for customers of record on December 31, 2013, that had a full twelve-month standard billing history in 2013 and did not change rates during the year. Using a customer's 2013 usage information, the plan compared the amount they would have paid under the interim rates for that full year to an estimated amount they will pay each of the next ten years based on known base rates, equalization and phase-in factors, and forecasted amounts for the Energy Adjustment clause (EAC) and the Transmission Cost Adjustment (TCA) clause (excluding other clauses normally combined into the Energy Charge and taxes).

MidAmerican stated it has reviewed all of the customer's rate classes and determined they are on the most economical rate class.

## **II. Legal Standards**

### **476.3 Complaints — investigation — refunds.**

1. A public utility shall furnish reasonably adequate service at rates and charges in accordance with tariffs filed with the board. When there is filed with the board by any person or body politic, or filed by the board upon its own motion, a written complaint requesting the board to determine the reasonableness of the rates, charges, schedules, service, regulations, or anything done or omitted to be done by a public utility subject to this chapter in contravention of this chapter, the written complaint shall be forwarded by the board to the public utility, which shall be called upon to satisfy the complaint or to answer it in writing within a reasonable time to be specified by the board. Copies of the written complaint forwarded by the board to the public utility and copies of all correspondence from the public utility in response to the complaint shall be provided by the board in an expeditious manner to the consumer advocate. If the board determines the public utility's response is inadequate and there appears to be any reasonable ground for investigating the complaint, the board shall promptly initiate a formal proceeding. If the consumer advocate determines the public utility's response to the complaint is inadequate, the consumer advocate may file a petition with the board which shall promptly initiate a formal proceeding if the board determines

that there is any reasonable ground for investigating the complaint. The complainant or the public utility also may petition the board to initiate a formal proceeding which petition shall be granted if the board determines that there is any reasonable ground for investigating the complaint. The formal proceeding may be initiated at any time by the board on its own motion. If a proceeding is initiated upon petition filed by the consumer advocate, complainant, or the public utility, or upon the board's own motion, the board shall set the case for hearing and give notice as it deems appropriate. When the board, after a hearing held after reasonable notice, finds a public utility's rates, charges, schedules, service, or regulations are unjust, unreasonable, discriminatory, or otherwise in violation of any provision of law, the board shall determine just, reasonable, and nondiscriminatory rates, charges, schedules, service, or regulations to be observed and enforced.

### **III. Analysis**

Board staff has reviewed the complaints and MidAmerican's responses. Based upon that review, staff has determined these complaints raise issues that should be addressed by the Board through a formal complaint proceeding rather than through the informal complaint process. Only the Board can decide if MidAmerican has complied with the Board's decision on Docket No. RPU-2013-0004 and whether the rates charged by MidAmerican are just and reasonable. Staff believes consolidation of these complaints in a formal complaint proceeding is the most efficient and reasonable procedure to follow. Staff therefore recommends that the Board open a formal complaint proceeding to address these customer complaints against MidAmerican.

### **IV. Recommendation**

Board staff recommends the Board directs General Counsel to prepare for Board review an order granting the further investigation and review of these customer complaints.

#### **RECOMMENDATION APPROVED**

#### **IOWA UTILITIES BOARD**

/JLW

/s/ Elizabeth S. Jacobs      11-10-14  
Date

/s/ Nick Wagner      11/12/14  
Date

/s/ Shelia K. Tipton      11/12/2014  
Date